

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program.

The purpose of your program will be to assist individuals in attending a two or four-year college, trade school, technical school, or similar post high school educational institution meeting the requirements of Code Section 170(b)(1)(A)(ii) or their foreign equivalent (in which case you will exercise expenditure responsibility with the meaning of Code Section 4945(h) to the extent required). The recipient will be entitled to apply the award for both undergraduate and graduate education and will be required to use the award for tuition assistance, fees, course required books, supplies, and equipment and depending upon the financial circumstances of the recipient and at your sole discretion with prior written approval, room, board, and travel that are incidental to the purposes of the scholarship award. An award will usually be for one academic year or two semesters, but you will have the flexibility to award longer term educational assistance commitments. Moreover,

you will determine the number of scholarships and the scholarship amounts on a case-by-case basis depending upon your resources and funds allocated by the Board for such purposes.

To promote the program, you have established a website describing the eligibility requirements as well as the application process.

To be eligible for an award under your program, the individual must:

- Attend a qualified educational institution at the post-high school level on a full-time (or, at your discretion) on a part-time basis depending upon their circumstances;
- Demonstrate both financial need, and a commitment to succeed.

To be considered for the award, an individual must submit to you the completed application by a specific due date with the following attachments:

- A certified educational transcript detailing all high school or higher-level education to date;
- Evidence of financial need, including their current financial statement and/or their parents;
- Letters of recommendation;
- A written statement describing their goals as well as why they desire the award.

All applications will be initially reviewed by a Selection Committee consisting of your Board or a Committee of the Board to eliminate those applicants who do not meet the eligibility criteria or have submitted incomplete applications. The Selection Committee will then evaluate and rank the applications based on the documented financial need, the demonstrated commitment to succeed, and the academic qualifications. The Selection Committee may also conduct personal interviews before selecting the recipients.

At your discretion, you will make payments of scholarship funds directly to the qualified educational institution on behalf of the scholarship recipient or reimburse the recipient upon presentation of adequate receipts.

Once the scholarships are awarded, the recipients must adhere to the following additional requirements for the award:

- Submit written reports to you at least every academic semester detailing their educational experiences and how the scholarship award has contributed to their educational experience;
- Submit certified transcripts at the conclusion of each academic semester; and
- Immediately following graduation, provide you with copies of their final transcript and copy of the diploma/certificate of completion from the educational institution.

The award will usually be for one academic year (two semesters), but you will have the flexibility to award longer term educational assistance commitments as long as the

recipient complies with all the reporting requirements as well as maintains a 2.5 GPA and attends a qualified educational institution.

If the terms of the scholarship are violated or if the recipient has made any misrepresentation to you, or misappropriated any funds, or if you determine the recipient is unable to carry out the purposes of the scholarship, you have the right to terminate the scholarship award.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurance that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of grants described above.

In the event the educational institution is not located in the United States, then the applicant must provide you with such documentation that establishes to your reasonable satisfaction that such educational institution is the foreign equivalent of an organization described in Code Section 170(b)(1)(A)(ii). If you determine the applicable foreign institution is a qualified educational institution, before disbursing any funds you will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. Furthermore, to ensure that scholarships are not inadvertently used for purposes unintended, you will conduct pre-grant inquiries of each potential recipient and corresponding foreign educational institution. In your inquiry, you will request financial information to include statements and corresponding tax returns, you will look into the foreign institution's tax exempt status, you will have them provide copies of their governing instruments, list of board members and key officers, a copy of the foreign institution's annual report (if any) and any other information that you deem necessary to reasonably assure the scholarship funds will be used as intended. Finally, you will comply with all United States statutes, executive orders and regulations and if required you will obtain the necessary licensures from OFAC.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements